

Some states yell "cut" on tax credits that try to lure film producers

By Stateline.org, adapted by Newsela staff on 05.29.15

Word Count **861**



A scene made to look like an airport screening area is filmed in Ann Arbor, Michigan, Dec. 1, 2009. Photo: AP/Carlos Osorio, File

WASHINGTON — Louisiana residents may go gaga over Mark Wahlberg, Kurt Russell and Kate Hudson when they arrive in the state later this year to film a movie. But Louisiana and some other states are starting to question whether they are giving up too much to attract such star power.

The movie is being made in Louisiana largely because the state offers unlimited tax credits to persuade film companies to shoot on location there. Louisiana was the first state to adopt the credits in 1992. Now, 39 states and Puerto Rico have tax incentives of one kind or another for the film and television industries, according to the National Conference of State Legislatures.

Proponents of the incentives point to the many jobs created during filming, from carpenters and electricians to caterers and drivers. Critics say those jobs don't last. They point to numerous studies that show that states never recoup the tax revenue they give away with the credits.

Louisiana May Limit Annual Total

Louisiana currently has no limit on the value of the credits it will give out in a single year. But that may change.

This month, the Louisiana House voted 102-2 to limit film tax credits to \$200 million annually. With the state facing a \$1.6 billion budget shortfall, Louisiana legislators are considering a bunch of bills that would reduce or eliminate many tax credits that are draining the treasury. Republican Governor Bobby Jindal didn't recommend cutting down the tax credit in his budget. Still, he may be willing to do it.

Other states also are looking at reducing or eliminating film tax credits.

The Alaska Legislature on April 19 approved a bill to kill the state's film tax credit program in 2016. Governor Bill Walker, an independent, also called for a halt to new credits.

Those who supported ending the program noted that the state is getting much less money from oil and gas sales. According to the Alaska Department of Commerce, filmmakers received more than \$38 million in tax credits between June 2009 and June 2013.

Massachusetts Considers Ending Its Program

In Massachusetts, Republican Governor Charlie Baker called for scrapping the state's \$80 million film tax credit program. He wanted to use the funds to partially pay for increasing a tax credit for poor people. A Massachusetts Department of Revenue report showed that in 2012 only about \$50 million of the \$304 million in spending by the film industry went to Massachusetts businesses. The Massachusetts House has voted to keep the credit. Its Senate has yet to act.

But other states are doubling down on their film tax incentives.

California, worried about the incentives other states are using to lure Hollywood productions, last year tripled the money available for film tax breaks. It rose to \$330 million.

In Pennsylvania, Democratic Lieutenant Governor Mike Stack says the cap on film tax credits in the state is too low. Only \$60 million can be spent on tax credits each year. Democratic Governor Tom Wolf wants keep it at that amount. But Stack, a film actor who still appears in local productions, wants to expand that as much as possible and ran in the Pittsburgh marathon to raise awareness of the credit issue.

And Maine, which has limited film incentives, now is considering a 25 percent credit for wages paid to residents employed by film productions. It is also looking at a 15 percent credit on wages paid to non-Maine residents. Backers of the bill argue that Maine loses production to Massachusetts, which has similar coastal settings.

Film Studios Create State Rivalry

In choosing locations, studios shop for the best tax deals and frequently pit one state against another.

For example, Netflix's "House of Cards" last year threatened to pull production out of Maryland until the state extended its generous tax credit program. The state gave out \$62.5 million in credits between 2012 and this year, mostly to "House of Cards" and HBO's "Veep."

This year, the Maryland General Assembly tried to rein in the credits, but lawmakers ended up approving a tax credit bill while leaving the specific dollar amount to Republican Governor Larry Hogan. Hogan has not yet decided whether he will sign it.

Oil-Spill Movie Producers Looked For Best Deal

Todd Lewis is a production manager for the film being shot in Louisiana starring Mark Wahlberg, Kurt Russell and Kate Hudson about the BP oil spill disaster. He said tax incentives are almost the first thing movie producers consider when deciding where to shoot. Lewis said Louisiana's incentives are especially enticing.

According to a group called the Louisiana Budget Project, Louisiana paid \$231 million in credits in 2011-12, bringing the state's total film spending to more than \$1 billion in the past decade. The study called the return on that investment "a flop." It said that taxpayers have paid \$60,000 for every job created.

But the Motion Picture Association of America, in its study of the Louisiana program, said that in 2013, production spending associated with the credit supported 10,800 jobs across all industries, generating \$471.2 million in personal income and \$1.59 billion in economic output in Louisiana. That study called for the unlimited credit to continue.

Quiz

- 1 Which detail BEST supports the central idea of the article?
 - (A) Types of jobs created by films include carpenters, electricians, and caterers.
 - (B) Alaska has recently been receiving much less income from oil and gas sales.
 - (C) Republican Governor Larry Hogan of Maryland has the power to determine the specific amount that will be allotted to film tax credits.
 - (D) Researchers reported that film tax credits costs taxpayers \$60,000 for every job created.

- 2 Which sentence from the section "Louisiana May Limit Annual Total" would be MOST important to include in a summary of the article?
 - (A) This month, the Louisiana House voted 102-2 to limit film tax credits to \$200 million annually.
 - (B) With the state facing a \$1.6 billion budget shortfall, Louisiana legislators are considering a bunch of bills that would reduce or eliminate many tax credits that are draining the treasury.
 - (C) Other states also are looking at reducing or eliminating film tax credits.
 - (D) According to the Alaska Department of Commerce, filmmakers received over \$38 million in tax credits between June 2009 and June 2013.

- 3 Select the paragraph from the section "Massachusetts Considers Ending Its Program" that further develops the idea that some states view film tax credits as money that could be better spent elsewhere.

- 4 Fill in the blank. The closing paragraph of the article provides a
 - (A) counterargument.
 - (B) summary.
 - (C) problem and solution.
 - (D) cause and effect.

Answer Key

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Paragraph 8:

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